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# AICPA *Washington Report*

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May 8, 1978, Volume VII, Issue 11

Commerce	Business role in regulatory reform encouraged . . . . .	p.1
CFTC	Consumer protection rules tentatively approved . . . . .	p.1
OWPS	Company records could be subpoenaed . . . . .	p.1
DOD	Procurement regulations published . . . . .	p.1
DOE	Public comment sought on regulations . . . . .	p.1
	Accounting rules for natural gas pipeline companies amended . . . . .	p.1
FRB	Guide to Federal Reserve Regulations is available . . . . .	p.2
DOL	Proposed pension law revision to affect accountants . . . . .	p.2
	Prohibited transaction exemption amendment proposed . . . . .	p.2
OMB	Federal policy on wage busting published . . . . .	p.2
SEC	Legislation to raise ceiling for exempt securities offerings approved . . . . .	p.3
	Oil and gas accounting hearing extended . . . . .	p.3
	Proposed Federal Securities Code to be discussed . . . . .	p.3
Treasury	Uniform accounting standards in pensions proposed . . . . .	p.3
	AICPA comments on deferred compensation proposal . . . . .	p.3
	Tax indexation proposal criticized . . . . .	p.4
	Report on tax simplification aspects of tax package available . . . . .	p.4
	Audit requirement for revenue sharing clarified . . . . .	p.4
	Tax return preparer penalty to be waived . . . . .	p.4
	Ways & Means Committee to consider general financing of social security . . . . .	p.4
	Written determinations to be made public . . . . .	p.4
Special	1978 Joint Economic Report available . . . . .	p.5
Special	Institute for Applied Public Financial Management graduates 1st class . . . . .	p.5

#### COMMERCE, DEPARTMENT OF

Secretary Juanita Kreps, along with other Administration officials, is appealing to the business community to take advantage of "a rare opportunity to facilitate regulatory reform" through active participation in government rulemaking. At a Conference Board meeting in Washington last week on regulatory reform and its potential impact on the business community, government representatives repeatedly stressed the need for input by business executives in the regulatory process and emphasized that there is great potential for change in the current system. Secretary Kreps, discussing a movement within the Commerce Department toward voluntary standards where feasible, pointed out that apathy on the part of the regulated pressures federal agencies to regulate. She also recommended that Congress give more consideration to the economic impact of regulatory legislation, enact "sunset" clauses to allow for regular reviews, and allow for greater flexibility in the development of regulations, stating that this would foster involvement of the people to be regulated.

#### COMMODITY FUTURES TRADING COMMISSION

The Commission has tentatively approved a major portion of the customer protection rules that were proposed last year. The measures would: require futures commission merchants to furnish a CFTC-prepared risk disclosure statement to each new customer; impose stricter employee supervision requirements on commodity firms; establish standards for discretionary accounts; and regulate the advertising of commodity market performance. Final approval of the rules is subject to the outcome of public hearings and an extended public comment period.

#### COUNCIL ON WAGE AND PRICE STABILITY

The Administration is ready to subpoena corporate records and publicly criticize companies that don't hold down prices. Stating that the government may be more willing to exercise the subpoena power, Barry F. Bosworth, Director of the Council, said a company's records would be reviewed and any excess wages or prices would be reported to the public. Mr. Bosworth also remarked that professional groups such as doctors, dentists, and lawyers would be called on in the very near future to hold down increases in their fees.

#### DEFENSE, DEPARTMENT OF

Final procurement regulations for the Defense Logistics Agency have been published (see 5/3/78 Fed. Reg., pp. 18993-19042). The regulations, which include the adoption of cost accounting standards, implement the ASPR and other DOD publications, and are effective retroactive to 1/31/78.

#### ENERGY, DEPARTMENT OF

A request for public comment on an executive order to improve government regulations was published in the 5/1/78 Fed. Reg., pp. 18634-38. DOE is seeking comment on procedures for developing new regulations, analyzing their potential impact and reforming existing but burdensome regulations. Comments are requested by 6/30/78. For further information contact Joseph C. Vangant (202/566-7438) or Thomas DePriest (202/566-9565).

Accounting rules for larger natural gas pipeline companies were amended by the Federal Energy Regulatory Commission on 4/28/78 to provide separate accounting classifications for base load liquefied natural gas terminal and processing

facilities. In addition, the natural gas annual report form (No. 2) was also revised to reflect these amendments, and new accounts were established for gas inventory, plant, operation and maintenance expenses. For further information call 202/275-4006.

#### FEDERAL RESERVE BOARD

A Guide to Federal Reserve Regulations, part of a series of educational pamphlets, is now available. The booklet is designed to give a simplified explanation of the Board regulations dealing with commercial banks and bank holding companies, consumer credit transactions, use of credit in securities transactions, interest on savings deposits, the clearance and settlement of checks and other payments involving the use of Federal Reserve facilities, and other financial activities. Copies of the Guide may be obtained free of charge from the Publications Departments of any of the Federal Reserve Banks.

#### LABOR, DEPARTMENT OF

Legislation (S.3017) has been introduced "to eliminate unnecessary duplication of efforts by actuaries and accountants under ERISA's annual reporting requirements". The bill, sponsored by Senators Williams (D-NJ) and Javits (R-NY), would require an accountant to rely on the correctness of any actuarial matter certified to by an enrolled actuary, and, correspondingly, an enrolled actuary would be required to rely on the opinion of a qualified public accountant on an accounting matter. At this time, no legislation with a comparable provision has been introduced in the House; however, the House Pension Task Force is planning oversight hearings on ERISA later this month and the DOL has been invited to address this matter at that time.

In addition, S.3017 would limit the scope of an accountant's opinion as included in an employee benefit plan's annual report by restricting the accountant from expressing an opinion regarding statements of assets and liabilities of common or collective trusts maintained by a bank or similar institution or of a separate account maintained by an insurance carrier or of a separate account maintained by a bank as trustee. Such statements would be prepared instead by a bank or similar institution or an insurance carrier regulated and subject to periodic examination by a state or federal agency, and would be certified by the financial institution as accurate.

A proposed amendment of prohibited transaction exemption 77-9, the class exemption relating to certain transactions commonly engaged in by employee benefit plans with insurance agents and brokers, pension consultants, insurance companies, investment companies, and investment company principal underwriters appeared in the 4/28/78 Fed. Reg., pp. 18354-60. The amendments concern the "named fiduciary", services provided solely by a fiduciary, acknowledgment and disclosures by investment companies. The DOL and IRS have separately announced that the effective date of certain conditions contained in the exemption will be postponed from 4/1/78 to 1/1/79 and that a public hearing will be held on the exemption at the IRS Building in Washington on 7/20/78. Requests to testify at the hearing are due by 6/30/78, and comments on the proposed rules are due by 5/31/78. Additional information is available by contacting Bernard Colter at DOL (202/523-8194) or Kathleen Bauer at IRS (202/566-6761).

#### OFFICE OF MANAGEMENT AND BUDGET

A letter from the Office of Federal Procurement Policy to all Federal agencies on the prevention of wage busting for professionals was published in the 5/2/78 Fed.

Reg., pp. 18805-07. The letter, which represents OFPP policy on an interim basis, has been published for comment prior to implementation of permanent regulations. The policy, which is effective as of 4/1/78, states that it is in the best interest of the government that professional employees under service contracts be properly and fairly compensated under such contracts. Future Defense Acquisition and Federal procurement regulations will be issued to implement the policy. For further information, contact Thomas F. Williamson at 202/395-3100.

#### SECURITIES AND EXCHANGE COMMISSION

Legislation has been approved in both the Senate and House raising the dollar ceiling from \$500,000 to \$2.5 million for exempting small security offerings from the registration requirements under Section 3(b) of the '33 Act. Senator Williams (D-NJ), Chairman of the Senate Securities Subcommittee, sponsored the original proposal (S.2305) which was later incorporated into the House bill (HR 8331), dealing with changes in the Securities Investor Protection Corporation. Final action on the measure is expected before the end of the session.

An additional day of hearings on accounting practices for oil and gas producers has been announced by the Commission. Thus far, the Commission has held a total of eleven days of hearings on these proposals in Washington and Houston, Texas, (see the 4/3/78 Wash. Report). In addition, the comment period on these proceedings and on a related rule requiring disclosure of information based on the present value of future net reserves from estimated production of proved oil and gas reserves (Rel. No. 33-5916, 3/24/78) has been extended until 5/31/78.

A proposed draft of the Federal Securities Code will be discussed this month in Washington by members of the American Law Institute. The draft is an attempt to codify all securities laws that have been enacted and amended by the Congress. Attempts are being made to eliminate duplicate regulations and simplify complex procedures. In its present form, the draft combines all accounting, auditing and recordkeeping provisions into one section. Drafters of the code hope to receive SEC approval of the project shortly and are optimistic the code will be enacted by Congress within a few years.

#### TREASURY, DEPARTMENT OF

A proposal for uniform accounting standards in the pension area has been introduced by Senator Lloyd M. Bentsen (D-Tex) in the form of an amendment to the Internal Revenue Code. The legislation (S.2992) would require the Secretary of the Treasury to promulgate such accounting standards. The Senate Finance Subcommittee on Private Pension Plans and Employee Fringe Benefits, which Senator Bentsen chairs, has tentatively scheduled hearings on this matter for late June or early July.

The Federal Tax Division of the AICPA has submitted comments on proposed tax regulations concerning deferred compensation of employees. Essentially, the AICPA recommends that the proposed regulations (see 2/3/78 Fed. Reg., pp. 4635-39) should be withdrawn at this time and further study made of the matter. If it is determined that change in the treatment of deferred compensation is desirable, a request for legislation should be made to the Congress.

[ Anyone wishing to receive one free copy of the AICPA's comments may do so by contacting our Washington office prior to 5/24/78 and requesting Document 11-1. Telephone requests are encouraged and should be directed to extension 47. ]

A proposal for automatic partial indexing of income, estate and gift taxes for inflation drew strong criticism from a Treasury Department representative at a Senate Finance subcommittee hearing on 4/24/78. Emil M. Sunley, Deputy Assistant Secretary for Tax Analysis, told the Subcommittee on Taxation and Debt Management that the proposal, S.2738, would complicate the tax system, increase record-keeping requirements, and force arbitrary decisions to be made in areas of income measurement. Sunley went on to say that to adopt S.2738 would be a mistake because not enough is known about the problems involved in correcting the measurement of income for the effects of inflation. He also criticized the bill on the grounds that it would discriminate between leveraged and unleveraged investors, as well as investors who could convert income into a capital asset and those who could not, because the proposal only applied to capital assets, with no provision made for adjusting financial instruments.

A staff report prepared by the Ways and Means Oversight Subcommittee on the tax simplification aspects of the Administration's 1978 tax package (HR 12078) has been forwarded to the full committee. A limited number of copies are available by calling the Subcommittee at 202/225-3625.

Regulations determining the scope of required audits have been clarified in an administrative ruling issued by the Office of Revenue Sharing. The ruling, which appeared in the 4/14/78 Fed. Reg., p. 15627, provides that audits shall include all financial statements prepared from accounts which the recipient government is required to maintain under State or local law. Audits are required whether the funds belong to the recipient government or if the recipient government holds such funds in a trust fund or other account belonging to another political entity. For further information on these audit requirements, contact Jack Gary at 202/634-5230.

Employers of tax return preparers won't be assessed penalties for failing to provide their employee's social security numbers (SSNs) on federal income tax returns for claims filed by 6/30/78, according to IR-1987. The IRS will continue to assess penalties for failing to include the signatures of persons preparing the return and the employer identification number (EIN). Self-employed persons should provide their SSNs in place of the EIN. Preparers who disregard rules and regulations for preparing tax returns or willfully undertake tax liability will continue to be penalized. The IRS action is being taken because of the late issuance of final regulations and the fact that IRS publication 17, "Your Federal Income Tax", was published prior to the regulations and doesn't contain the new SSN requirement. Penalty amounts already paid for failing to provide employee's SSNs will be refunded automatically.

General revenue financing of social security programs is under consideration by the House Ways and Means Committee. The matter was referred to the full Committee by the Social Security Subcommittee on 4/26/78 for consideration as part of the tax reduction proposals currently before the Committee. Chairman James A. Burke (D-Mass) hailed the Subcommittee's action as an important step forward for general revenue financing of social security, which had appeared to be a dead issue for this session of Congress.

Certain IRS written determinations will be made open to public inspection on 8/28/78, (see 5/3/78 Fed. Reg., pp. 19094-95). Private letter rulings issued by the Individual Tax Division between 12/31/53 and 1/1/68 will be made available along with certain background file documents. Such issues as income taxes of non-corporate taxpayers, employment taxes, and estate and gift taxes are covered in the written determinations. Requests to find out which determinations will be



released are due by 5/18/78 and requests for additional deletions must be filed by 6/7/78. For more information contact George Freeland at 202/566-4378.

SPECIAL: 1978 JOINT ECONOMIC REPORT AVAILABLE

The report of the Joint Economic Committee on the President's January 1978 Economic Report is now available. The report, which focuses on employment and inflation, contains the Committee's findings and recommendations on each of the principal recommendations made by the President in his Economic Report. The Committee report was prepared as a guide for Congressional committees dealing with legislation relating to economic issues. Copies of the report are available from the GPO for \$2.75 each (S/N 052-071-00558-7).

SPECIAL: INSTITUTE FOR APPLIED PUBLIC FINANCIAL MANAGEMENT GRADUATES FIRST CLASS

15 employees of the Farmers Home Administration (Department of Agriculture) became the first graduating class of the American University's Institute for Applied Public Financial Management when they received their masters degrees in January. The Institute, which was founded in 1975, is a specially-designed program for training government officials who direct large organizations with explicit financial emphasis and supervisors of smaller or more specialized units. Students are employees of various federal departments and agencies and the course of study is tailored to meet the special needs of the sponsoring agency. For more information about the program, contact the Institute at 202/686-2551.

For further information contact:  
Steve Woolf or Susan Retter  
202/872-8190

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